



FILED

03-13-08

02:22 PM

ATTACHMENT



STATE OF CALIFORNIA

**Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102**

Workshop Report on Applicant Requirements and Scoring Criteria for the California Advanced Services Fund (CASF)

**Held on
February 7, 2008**

**In Compliance with Ordering Paragraph 3
of the Assigned Commissioner's Ruling (R.06-06-028)
dated January 23, 2008**

**COMMUNICATIONS DIVISION
March 10, 2008**

TABLE OF CONTENTS

	Page
I. SUMMARY.....	3
II. BACKGROUND	3
III. WORKSHOP DISCUSSION	4
<i>A. Required Information from Applicants.....</i>	<i>4</i>
<i>B. Submission and Timelines</i>	<i>9</i>
<i>C. Proposal Checklist</i>	<i>10</i>
<i>D. Scoring Criteria.....</i>	<i>10</i>
<i>E. Selection.....</i>	<i>12</i>
<i>F. Payment.....</i>	<i>12</i>
<i>G. Grant Execution and Performance</i>	<i>13</i>
<i>H. Other Issues</i>	<i>13</i>
IV. POST-WORKSHOP COMMENTS	13
<i>A. Latino Issues Forum.....</i>	<i>13</i>
<i>B. AT&T.....</i>	<i>14</i>
<i>C. Verizon California (Verizon).....</i>	<i>16</i>
<i>D. TURN.....</i>	<i>17</i>
<i>E. DRA.....</i>	<i>20</i>
<i>F. Comcast.....</i>	<i>22</i>
ATTACHMENT A - APPENDICES.....	24
<i>Appendix A: Assigned Commissioner's Ruling dated January 23, 2008.....</i>	<i>25</i>
<i>Appendix B: List of CASF Workshop Attendees</i>	<i>26</i>
<i>Appendix C: PowerPoint Presentation.....</i>	<i>29</i>
<i>Appendix D: Hypothetical Illustration of Scoring Criteria</i>	<i>39</i>

I. SUMMARY

In compliance with Ordering Paragraph (OP) 3 of the Assigned Commissioner's Ruling (ACR) issued on January 23, 2008 in the California High Cost Fund-B proceeding R.06-06-028, Communications Division (CD) staff submits this report which summarizes participants' comments and discussions during the February 7, 2008 workshop on the California Advanced Services Fund (CASF) application requirements, process and scoring criteria.

In addition, this report summarizes the post-workshop comments provided by the parties relative to the template and the scoring criteria for the CASF. The Commission gave participants until February 19 to offer additional comments or provide additional information to the Commission on any of the questions or issues raised during the workshop. The additional information provided will be considered in the refinement of the final application template and scoring criteria. A summary of the written comments is incorporated in this report.

Attachment A at the end of this report includes the ACR, a list of attendees, the CASF workshop PowerPoint presentation, and a hypothetical illustration of the proposed scoring criteria.

II. BACKGROUND

The California Advanced Services Fund (CASF), a two year program established by the Commission on December 20, 2007, in Decision (D.) 07-12-054 provides matching funds of up to 40% of the total project cost for the deployment of broadband infrastructure in unserved and underserved areas in California. The Commission has allocated \$100 million for qualifying projects, to be funded by a 0.25% surcharge on end-users intrastate bills. Priority in funding will be unserved areas, areas which are not served by any form of facilities-based broadband, or where internet connectivity is available only through dial-up service or satellite. If funds are still available, funding will be extended to underserved areas, where broadband is available but no facilities-based provider offers service at speeds of at least 3 MBPS download or 1 MBPS upload.

In compliance with OP 11 of D.07-12-054, and OP 1 of the January 23, 2008 ACR, the CD held a technical workshop on February 7, 2008 to discuss a draft template for submitting CASF proposals and the scoring system to be used in comparing and ranking CASF proposals for funding. Parties in attendance at the workshop included: AT&T, Verizon (CA), Frontier Communications, Surewest, Kerman Telephone Company, Cox Communications, T-Mobile, Comcast, Sprint, Time-Warner Cable, Cooper, White, and Cooper representing the Small Incumbent Local Exchange Carriers, TURN, Latino Issues Forum, and the Division of Ratepayer Advocates. Also present at the workshop were: Commissioner Rachelle Chong, Robert Haga (Chief of Staff to Commissioner Chong), Administrative Law Judge Tom Pulsifer, and staff representatives from the Information and Management Services Division and the Communications Division.

After the workshop and based on comments and recommendations of parties and staff, the Commission will approve by resolution the final scoring criteria and template for applicants to use for submission of proposals.

III. WORKSHOP DISCUSSION

As set forth in D.07-12-054, applicants are required to submit specific information about each proposed broadband project to be considered for CASF funding. Participants discussed in detail many of the fourteen prescribed items of the CASF Application Checklist (Appendix B of January 23, 2008 ACR). The following summary highlights the workshop participants' comments and suggestions for the Commission to consider in its resolution adopting on the final scoring criteria and template to be used for CASF project proposals.

A. Required Information from Applicants

1. Description of Provider's Current Broadband Infrastructure within 100 miles of the Proposed Project and Shapefile (.shp) of Current Service Area

The review of proposed broadband projects will need to ensure funds are not allocated toward areas that already have broadband infrastructure. Such information should be presented in shapefile (.shp) form, which is a spatial geographic information format. Workshop participants agreed to deliver their maps in shapefile (.shp) or in Arc GIS software format which is compatible with the Commission's existing GIS format.

2. Description of Proposed Broadband Project Plan Being Requested including Project Size and Download and Upload Speed Capabilities of Proposed Facilities

A more thorough and comprehensive discussion was devoted to this requirement. In some cases, service providers may propose a project to augment current service areas by expanding an existing central office to reach new customers in outlying or remote areas. The benefits would include providing broadband to new customers and improving service speeds to existing customers. Workshop participants offered numerous comments on their concerns over measurement of the 3/1 MBPS speeds required in D.07-12-054. Some of the suggestions given were to report average speeds and /or report average speed during the peak busy period. If average speed is adopted as a metric, participants agreed to include the methodology for computing that average in their submission. In addition, the differences in broadband technology could affect the ability of applicants to measure speed accurately and to guarantee minimum delivery speeds. Although participants want to be able to ensure that the stated speed in their application is the actual speed delivered to customers, this may be difficult to achieve consistently since differences exist between the access providers' and content providers' speeds.

3. Geographic Locations by CBGs Where Broadband Facilities will be Deployed. A Shapefile (.shp) Showing Boundaries of the Specific Area to be Served by the Project and List of CBGs and ZIP Codes that Intersect the Proposed Project Area should be Submitted

DRA asked for clarification of the term “that intersect the proposed project area” referring to boundaries of the area to be served. Staff responded that this term refers to any overlap of the ZIP code and/or CBGs in a proposed area. TURN expressed concern over how large some CBG areas can be in rural areas and the need for a project proposal to identify a specific, targeted area or residential cluster. TURN offered to submit a recommendation on how this kind of situation could be resolved by each applicant. Comcast commented that a shapefile detail a 50 mile area which would provide more specificity than a list of CBGs. AT&T expressed its concerns that the specificity that a map would provide when it shows boundaries would unintentionally identify the applicant. Verizon concurred that project borders are competitive information and therefore highly sensitive. Participants suggested that only CBG lists and each CBG number be posted on the webpage. Reference was made to the methods that the Digital Infrastructure and Video Competition Act of 2006 (DIVCA) requires for applicants to disclose intended service areas, using CBGs. Commissioner Chong affirmed that staff will use source information from the recently published Broadband Task Force Report which included maps of wireline unserved and underserved areas and communities. Participants consistently voiced concerns over how much proprietary information is required. A secondary question arose regarding when a counterbid is submitted and the specifics of how precisely a counterbid would need to be presented so as to constitute a viable bid without disadvantaging the original bidder. The Commission will make a final determination of information that will be publicly available on the Commission’s CASF website.

4. An Explanation of the Basis for Asserting that, to the Best of the Applicant’s Knowledge, the Area is Unserved or Underserved.

The CASF review will begin by using data from the Broadband Task Force to identify whether areas are unserved or underserved. The Commission’s requirement for the submission of maps will enable the overlay onto maps from the Broadband Task Force Report in order to show where broadband service does and/or does not exist at this point in time. Participants discussed at length concerns about mixed areas of unserved and under-served areas which likely will appear in applications and sought clarification in these circumstances given the intent of the CASF to first reach unserved customers. Participants asked that the Commission/CD develop a methodology in application review to discern and weight such mixed applications. Commissioner Chong and the ALJ acknowledged that further thinking needs to be done with respect to this situation. Participants asked what the cut-off date would be to certify whether an area is served or not. Staff confirmed that this would be as of the date of application. Commissioner Chong confirmed that the Broadband Task Force should be able to provide a list of communities without wireless broadband service, similar to the wireline list in the

appendices of the Broadband Task Force Report. Commissioner Chong will seek to get maps that can be overlaid to show areas completely void of any broadband service.

5. Estimated Number of Potential Broadband Subscribers

Participants requested that the Commission define the term “subscribers” in order to provide consistency and comparability in the data submitted by wireline and wireless applicants. Most of the participants agreed that this definition is critical in the determination of the applicant’s success in securing CASF funding because it is one of the determining factors in the criteria. Participants pointed out that wireline service providers can give the exact number and location of their customers whereas wireless providers cannot determine the number and location of customers due to the mobility feature of their service. The use of households and business customers in calculating the number of customers further complicates the determination of the number of potential subscribers. Staff will look at this item further.

6. Delineated schedule for deployment

D.07-12-054 states that applicants shall provide a schedule for broadband deployment, with a commitment to complete build out within 24 months of the approval of the application. The schedule shall identify major construction milestones that can be verified by Commission staff.¹ Such information will allow staff to monitor the progress of CASF projects, and to determine whether they will meet the 24 month build out requirement.

During the workshop, TURN emphasized that greater detail is preferable to less detail, given that some applicants may have more prerequisite requirements than others (for example, securing rights of way, which an existing provider is more likely to have than a new provider). AT&T suggested that grant recipients should notify the Commission if they believe the 24-month schedule will not be met; ALJ Pulsifer responded that such notifications should be made as soon as recipients become aware of potential delays.

7. Proposed budget including breakdown of cost elements, source of funding, amount and availability of funds

D.07-12-054 requires that CASF recipients provide at least 60 percent of the funds for each project.² Proposed budgets will serve as supporting documentation that all costs have been considered for each project.

No substantive discussion on this item occurred during the workshop, except for a point of clarification from AT&T inquiring whether applicants could specify within the budget whether they are requesting less than 40 percent in matching funds.

¹ D.07-12-054, Finding of Fact 27.

² Ibid.

8. Performance Bond

D.07-12-054 includes discussion on financial qualifications to complete broadband commitments.³ The Commission concluded that it may, on a case-by-case basis, determine whether to require recipients to post a bond to provide adequate financial safeguards.

During the workshop, Verizon raised the concern that posting a bond for every proposed project would be very costly, and asked instead that applicants simply state their agreement to post a bond upon approval of a given project. AT&T suggested that the Commission follow the DIVCA modification, wherein franchisees are required to post a bond within five days of the granting of the franchise. ALJ Pulsifer clarified that applicants are not expected to take out a performance bond at the time of application. Small LECs echoed Verizon's concern and asked for clarification that, if applicants are deemed financially fit, then this requirement may not be necessary.

9. Proposed recurring retail price per MBPS

D.07-12-054 requires that applicants disclose their proposed retail price per MBPS for new broadband service.⁴ CD expanded on this requirement to include initial service connection fee and any other fees the customer must pay to receive service. This information will be used to help staff assess the affordability of different projects during the scoring process.

This topic generated significant discussion during the workshop; parties raised questions regarding what specific elements should be accounted for in the price, and how the price should be reported. Staff from the Commission's Information Management and Services Division suggested that the Commission further require applicants to disclose any restrictions on their proposed service. TURN recommended that any commitments, terms and/or conditions that customers must meet in order to receive service also be disclosed. ALJ Pulsifer suggested that perhaps the general requirement would be for applicants to report all information (e.g., terms, conditions, restrictions, commitments, promotional offers, bundles) that is relevant to determining the price. Sprint asked what would be the relevance of collecting information regarding, for instance, whether customers had to make a one-year or a two-year commitment, to which ALJ Pulsifer and Commissioner Chong responded that this information is necessary to ascertain some metric that can be compared among all applicants.

TURN noted that broadband pricing is not commonly offered on a per MBPS basis, but is usually a flat (monthly) rate for a given level of subscription. Verizon added that some providers may require the purchase or leasing of a device in order to receive service. For example, DSL and cable services require a modem, and AT&T indicated that the wireless equivalent would be the PC wireless card or wireless adaptor. Verizon suggested that

³ D.07-12-054, Discussion Item L, p.48.

⁴ D.07-12-054, Finding of Fact 27.

applicants add up all nonrecurring one-time charges and all monthly recurring charges for 12 months, so that the Commission could compare each application inclusive of all associated charges. AT&T asked for clarification that the price for which they are reporting in this item (number 9 of the information required from applicants) is the same price to which they must commit for a specified period (item number 10 of the information required from applicants). The ALJ responded that this was correct, and the Commission was not asking applicants to try to project prices for the long term, and that while the proposed retail price is an element, the price commitment is not.

10. Period of commitment for the initial price of broadband service

D.07-12-054 encourages applicants to commit to providing broadband at their proposed retail price for a stated period of time;⁵ the Commission further considered requiring a minimum price commitment of one year.

Discussion on this item during the workshop revolved around whether the commitment should be on an individual subscriber basis (i.e. a customer who signs up on the last day of the pricing commitment can purchase the same service for the same price as a customer who signed up the first day the service was offered). AT&T expressed concern about committing to a single price over essentially a two-year period. ALJ Pulsifer responded that, in their applications, applicants could stipulate that they could break out their price commitment for one year, for example, one price for the first six months and another price for the next six months. AT&T asked for further clarification that the proposed retail price represents a maximum amount that customers would pay, so applicants should account for inflation and market change in determining their proposed price guarantees.

AT&T also expressed concern that a price commitment might prevent them from upgrading their technology by which they provide broadband. CD suggested that any providers facing such a question could upgrade the technology, and “grandfather” customers at the committed price for the remainder of the pricing commitment period.

11. Financial qualifications to meet commitments

Rule 2.3 of the Commission’s Rules of Practice and Procedure describes the information applicants must provide when submitting a financial statement with an application.

Several alternatives to Rule 2.3 were suggested during the workshop, including a letter of credit from a bank or a statement in affidavit that the applicant is financially, legally and technically qualified to complete the proposed project (per DIVCA).

⁵ D.07-12-054, Ordering Paragraph 18

12. Proof of applicant's CPCN or U-Number

D.07-12-054 states that CASF funding is limited to entities with a certificate of public convenience and necessity that qualify as a "telephone corporation" as defined under Public Utilities Code § 234, except that wireless carriers registered with the Commission need not obtain a CPCN to qualify.⁶ CASF funding may be provided to a consortium as long as the financial agent for the consortium is an entity with a CPCN.

During the workshop, DRA suggested that the Commission explicitly require wireless applicants to provide their registration information.

13. Name and contact information

Name and contact information will be maintained in order to maintain consistency in all communications with CASF applicants.

During the workshop AT&T suggested that the Commission follow the DIVCA model and require key officers, and not directors, name and contact information.

14. Affidavit

Applicants are required to sign an affidavit that:

"I swear or affirm, under penalty of perjury, and under Rule 1.1 of the California Public Utilities Commission's Rules of Practice and Procedure, that all of the statements and representations made in this Application are true and correct."

In affirming that an area is unserved or underserved and in disclosing information required, the point of reference should be at the time of application. Commissioner Chong clarified that the affidavit would be "to the best of your knowledge".

B. Submission and Timelines

D.07-12-054 states that CASF applications shall be due June 2, 2008⁷; applications submitted after this date will be reviewed under a lower priority and subject to the availability of remaining funds.⁸ Responses to funding requests are due 30 business days after receipt by the Communications Division, except that responses presenting a counteroffer are due 45 business days after the proposal is submitted.⁹

During the workshop, DRA asked for clarification about how parties would be notified of protests, to which Commissioner Chong responded that the Commission would notify all

⁶ D.07-12-054, Ordering Paragraph 13

⁷ D.07-12-054, Ordering Paragraph 6

⁸ D.07-12-054, Ordering Paragraph 9

⁹ D.07-12-054, Ordering Paragraph 8

parties on the service list for this proceeding, and thus all parties planning to apply for CASF funds should request to be on the service list by the time applications are due.

AT&T noted that there is no stated date by which an application would be denied or granted, and that this may present certain hindrances to applicants' other business activities.

Kerman Telephone asked whether a process could be set up, whereby incumbent local exchange carriers could be notified when a CASF application has been submitted to serve part of their service area. AT&T responded that posting the list of CBGs for which each project is being applied for might help address this concern, given that carriers should know what CBGs intersect their service areas. Commissioner Chong added that the Commission intends to post relevant CASF application information on one central website, which should also help parties locate information efficiently.

Kerman Telephone also expressed concern that, since applications submitted after June 2, 2008 would be considered, parties will have to check the website constantly. The ALJ responded that the Commission may consider setting specific deadlines for applications not submitted by June 2, 2008. However, if no specific deadlines are set, then parties would have to periodically recheck the website.

C. Proposal Checklist

Attachment B of the January 23, 2008 ACR identifies a draft proposal checklist, which applicants will have to complete and submit along with their applications for each proposed project.

During the workshop, TURN, citing D.07-12-054 Ordering Paragraph 16, noted the absence of a description of the type of voice service. Commissioner Chong responded that the Commission is considering clarifying this requirement since it might limit the pool of eligible applicants. TURN further noted that the availability of voice service still appears as a requirement on the checklist, and therefore either the checklist or the Required Information section needed revision based on the Commission's decision whether to retain the basic service requirement. Finding of Fact 29 of D.07-12-054 describes that voice service includes voice-grade service offered through a wireless or VOIP service.

D. Scoring Criteria

Attachment B of the January 23, 2008 ACR discusses the criteria for the evaluation of projects proposed for funding under the CASF. The scoring criteria rates applicants' proposals based on six variables and weights as follows: funds requested per potential customer: 50; speed: 15; service area: 15; timeliness for completion of project: 10; pricing: 5; and guaranteed pricing period; for a total score of 100. Each project will be scored compared to the best offer. For example, for three applicants, each with proposed

service areas of 100, 75 and 50, the applicants will be evaluated based on the best area coverage of 100.

In general, the discussions centered on the need to re-evaluate the criteria to include preference points for low-income and “uneconomic areas” and the revision of the weights given to each factor.

The Small LECs believed they will not be able to win bids if the weighting for potential customers remains at 50. They support AT&T’s view that grants should be prioritized according to where they are most needed.

DRA disagreed with the proposed weights for each of the six factors. DRA recommended that more weight be given to pricing and guaranteed pricing period. On the service area criterion, DRA was concerned that this criterion does not capture population density or income level. DRA suggested that preference points be awarded for “uneconomic areas”. DRA did not have a specific proposal on how this should be accomplished but raised the possibility of awarding 5 points with preference given to low income households based on census data and 5 points to low population density. DRA pointed out that the inclusion of these two factors will ensure that CASF funding is not granted to areas with an affluent customer base. DRA also pointed out that although weights have been assigned to each criterion, staff did not provide a scoring sheet showing the number assigned for calculating each weight.

On the ALJ’s query on whether DRA had any recommendations on the weight and/or the preference points, DRA responded that they will attempt to submit one with their February 19 comments. The ALJ clarified the application of the weights and referenced page 6 of the ACR showing an example of the application of the service area criterion. He reiterated that comparative rating will be used. To clarify how the scoring criteria will be applied, staff showed a hypothetical illustration of the scoring criteria on the screen.

DRA agreed with AT&T’s proposal of relying on the Broadband Task Force Report to determine unserved areas.

AT&T commented that there is no need to add additional preference points for rural areas as this is already captured in the formula. However, AT&T had no comment on preference points for low-income. AT&T was concerned that the list in the Broadband Task Force Report lacks detail, i.e., does not correlate with municipalities that have boundaries, and AT&T will not be able to appropriately determine which areas are unserved.

TURN was concerned with the heavy weighting given to funds per potential customers. They believed that price and speed should be weighted higher as these were considered to be important issues both in the Broadband Task Force Report and D.07-12-054.

Verizon pointed out that some applicants may include unservable areas in their proposal to increase their score and suggested that service area should be limited to areas which can be reached by applicants' facilities. Verizon also proposed changes in the scoring criteria, the specifics of which they will submit in post workshop comments.

Preliminarily, they believe that pricing and speed are important factors. As far as the formula for calculating speed is concerned, Verizon was of the opinion that the square root should be removed from the speed formula for proposals with speeds of less than 3 MBPS download and 1 MBPS upload as the speed of 3 MBPS download and 1 MBPS download, as explained by Commissioner Chong, is the benchmark, not the minimum required. Verizon also raised the issue of contiguous CBGs where a proposal in one may hinge on a proposal being accepted in another, and proposed that in such a case an exception for noncontiguous CBGs be made.

Latino Issues Forum agreed with DRA that more weight should be given to price, and preference points should be given to low income areas.

Sprint requested that the scoring worksheet be made available to participants. Sprint also raised a question on the determination of weights assigned to each variable, to which Commissioner Chong replied that weights were determined based on the Commission's assessment of the importance of each factor. Likewise, Commissioner Chong explained less weight were given to pricing and guaranteed pricing period than the other factors in view of their volatility and the difficulty to predict broadband pricing. Commissioner Chong stressed that the scoring criteria is a "straw man" and the Commission will consider comments of parties. Sprint also suggested that mobility be added as one of the factors.

Participants were assured that the scoring criteria worksheet will be emailed to all workshop participants/parties in the service list by the end of the day or tomorrow morning.

Cox requested clarification on the inclusion of service area in the criteria given that the service area together with the first criterion already provides density. Commissioner Chong replied that the Commission is interested in having as much coverage as possible.

E. Selection

Selection of CASF projects will be based on the Commission-adopted scoring criteria and the projects that receive the highest number of points will receive funding.

Participants had no comments.

F. Payment

Payments will be made on a progressive billing basis with the first 25% paid after completion of the project and subsequent payments made at 25% increments, i.e., at 50%, 75% and 100%. Each payment will be subject to 10% retention, which will be paid upon

project completion. Each request for payment will be subject to submission of progress reports and submission of invoices/supporting documents.

Payments will be made in accordance with and within the time specified, in Section 927 of the California Government Code, which essentially provides 45 days from presentation of the invoice.

On Verizon's question as to whether 25% means 25% of “cost” and not “time”, the ALJ responded that that is correct.

G. Grant Execution and Performance

The effective date of the award is dependent on the date the award is approved and subject to the agreement of both the applicant and CPUC. The Commission may terminate the grant, upon five days notice to the recipient, if the recipient fails to commence work on the agreed start date.

The Commission may also require the reimbursement of any monies already received by the recipient for non-completion of the project or call on the recipient's performance bond.

TURN requested clarification on what constitutes “failure” and Cox inquired on the Commission's basis for partial or full forfeiture of funds if the recipient fails to complete a project. Commissioner Chong replied that if funding was approved for two towns but the applicant only finished build out to one, funding for the second would likely be withheld, not both.

H. Other Issues

DRA requested clarification on whether a recipient can get simultaneous funding from the CASF and the CHCF-B. Robert Haga, Commissioner Chong's advisor, replied that this is allowed since the purpose for these funds are different.

IV. POST-WORKSHOP COMMENTS

In response to the agreement reached during the February 7, 2008 workshop, parties served and filed additional written comments on February 19. A summary of the filed comments follows.

A. Latino Issues Forum

Latino Issues Forum (LIF) reiterates their observation during the workshop that the proposed scoring criteria does not adequately promote universal service principles of affordability and access to low-income communities and makes the following recommendations:

- weighing long-term pricing heavily in the scoring criteria will ensure that service providers, moving into new market areas with little or no competition, will keep their prices low, i.e., affordable, for a longer period of time;
- allocating *Pricing* and *Guaranteed Pricing Period* greater weight at a suggested rating of at least 10 points each;
- adding a separate criterion or giving “preference point” status for the ability to access low-income areas; using Census data to extract *median family income*, *per capita income*, or *median household income*; and
- adding “*Access to Low-Income Areas*” as a criterion and allocating a minimum of 10 preference points.

In addition, LIF emphasizes the need for careful, effective monitoring of program projects by the Commission by requiring CASF recipients to file detailed project reports itemized by each criterion. In addition to the submission of the final report, LIF recommends that each fund recipient file subsequent reports every six months for the first 24 months after completion and then annually, if applicable.

Finally, LIF urges the Commission to allow all parties one last review for input of the proposed final CASF package before the resolution is voted on.

B. AT&T

AT&T believes that the Commission’s goals of broadband deployment may be “hampered” if potential providers see the Commission’s CASF program as regulating a service, i.e., broadband, over which the Commission has no regulatory authority. The following are AT&T’s post workshop recommendations.

AT&T opposes the requirement to include a description of the applicant’s current broadband infrastructure within 100 miles of the proposed project as this burdens the process. Instead, AT&T suggests including a description of adjacent broadband infrastructure if the subject area will receive incidental benefits.

AT&T concurs with the Commission’s requirement for the submission of a map in shapefile (.shp) format which they recommend to be kept confidential. AT&T stresses that including a shapefile of an applicant’s current broadband infrastructure is unnecessary as said area is not under the Commission’s regulatory authority and this information changes frequently.

Because individual customer “average speed” cannot be measured accurately (speed measurement varies under normal circumstances, busy hour and network capacity, time of use, dependency, radio signal quality based on distance from tower, etc.), AT&T suggests that applicants submit the same “up to” speeds providers use to advertise. AT&T concurs with the weight of 15 points allocated to “Speed” in the proposed Scoring Criteria.

AT&T restates its difficulty in segregating the unserved and underserved areas. In proposing a broadband project and identifying an unserved area, it may be possible that a small portion of an area already served by another provider using a different technology may be included. AT&T proposes that an application for unserved area (where overlap exists) be classified as unserved and that carriers pro-rate and exclude the cost of the already served customers. In view of these circumstances, AT&T recommends that only applications with 75% or more unserved areas be considered in the first round.

In determining the funds per potential customer, AT&T recommends that “potential customer” be defined according to the DIVCA definition of household (D.07-03-014). Further, that in defining CBG boundaries, where proposed service boundaries do not neatly align (e.g., alternate geospatial areas), CASF should follow the DIVCA guidelines (Appendix D of D.07-03-014). AT & T concurs with the weight of 50 points allocated to Funds Requested per Potential Customer in the proposed scoring criteria.

AT&T opposes counterbids as they are counter-productive in the initial bidding process. With respect to public information, AT&T suggests that the only information posted on-line should be the fact that an application was filed for specific CBGs. This would require subsequent bidders to develop their own unique bid design. In addition, AT&T emphasizes that applicant’s names be withheld as this information could lead competitors to determine the speed, price and infrastructure costs of the applicant.

AT&T proposes that the “10% hold back” from payments be eliminated since payments will only be made in project benchmark installments. Including the 10% retention requirement will increase project costs as applicants will add this on as an additional cost. Further, AT&T finds the 10% retention unnecessary because the Commission will grant funding only to companies/entities which comply with certain financial requirements or a performance bond.

AT&T suggests that the cost per MBPS be calculated using the monthly rate per MBPS and spreading the non-recurring charges (NRCs) over 12 months. AT&T does not agree in allowing a new customer to sign up on day 360 at the committed price and guaranteeing that price for one year since this would result in a two-year price commitment. AT&T argues that providers already have committed to low pricing long enough by the time the project territory is approved and completed. It concurs with the 5 points given to Pricing in the Scoring Criteria.

AT&T recognizes the Commission’s need to require proof of authority, even when broadband is not a regulated service of the Commission’s, but considers providing the CPCN or U# unnecessary. AT&T points out, however, that carriers that have received operating authority may not have that authority throughout the state and sees no reason to preclude carriers with limited geographical authority from applying for projects throughout the state.

AT&T recommends that the First Round of application review be limited only to unserved territories and that the Commission after awarding funding for the first round, announce the amount of funds available for the second round, if any. This would ensure that initial submission will be limited to unserved areas.

Lastly, AT&T recommends that the CASF financial requirements mirror the DIVCA requirements for consistency, specifically with respect to the performance bond, the information of company officials, and submission of financial documents.

C. Verizon California (Verizon)

Verizon argues that weight allocation among the scoring criteria should be reapportioned, according to the following:

- **Funds Requested per Potential Customer: 40 points**
Verizon is concerned that weighting this factor at 50 percent would detract from the Commission's goals for this program.
- **Speed: 25 points**
Verizon further suggests that, since the benchmark broadband speed of 3 MBPS download and 1 MBPS upload is an important component of the CASF, the speed variable point score should be increased from 15 points to 25 points. Further, applications that are below 90% of the combined benchmark of 4 MBPS (i.e., 3.6 MPBS), should have the point score adjusted. Carriers that meet the threshold would then be ranked according to the formula proposed in the January 23, 2008 ACR. Carriers that do not meet the threshold should receive 25, 50, or 75 percent score reductions based on the percentage of 4 MBPS that they meet. So, for example, a combined offering of 3 MBPS would receive 75 percent of the point score from the formula.
- **Service Area: 10 points**
Verizon suggests modifying this criterion to more closely measure population density, for instance, potential customers per square mile; lower density projects should receive higher ranking to reflect a preference for more rural projects.
- **Timeliness of Completion of Project: 0 points**
Verizon suggests eliminating this criterion since a maximum length of 24 months has already been established.
- **Pricing: 25 points**
Verizon believes that a weight of 5 points would only slightly penalize a proposed project with a significantly higher end-user price per MBPS than other proposals.
- **Guaranteed Pricing Period: 0 points**
Verizon asserts that attempting to provide points for a pricing commitment for some period beginning in 2011 is not realistic, and therefore this criterion should not be given any weight in determining scores.

In addition to the revisions to the scoring criteria and weighting, Verizon recommends certain modifications to the application requirements. First, Verizon suggests that the

Commission provide a template with all non-ArcGIS-related material, to avoid potential formatting conflicts. Additionally, Verizon recommends that:

- CASF applicants that are also DIVCA providers be allowed to affirm that data regarding their existing broadband infrastructure has already been provided under DIVCA requirements;
- Project size should be included with the response to Item 2 of the required information from applicants (description of proposed broadband project plan). Verizon also recommends that applicants be allowed to combine more than one group of contiguous CBGs into one project (especially where there is cost sharing), provided that the applicant includes such rationale in their application;
- Verizon affirms its support of creating a list of wireless-unserved communities, similar to that provided in the Broadband Task Force Report for wireline service in order to assist applicants in responding to Item 4 of the information required from applicants (basis for asserting a project is unserved).
- Verizon recommends that data used for estimating the number of potential broadband subscribers be from sources outside the applicant's control; and the use of occupied households as the standard metric because only occupied households would subscribe to broadband service;
- Performance bond
 - Verizon believes that this requirement is rendered unnecessary by some of the other requirements, such as: applicant's 60% project cost matching and the scheduling of payments as discussed in D.07-12-054.
 - If this requirement is retained, clarification should be made by the Commission in the application that applicants must agree to obtain a Performance Bond upon commencement of the project.
 - Verizon suggests clarifying the scope of the bond to affirm that the purpose is to ensure completion of the project, as opposed to ensuring continued operation in project areas.
- Verizon recommends that Item 9 of the required information from applicants (proposed recurring price per MBPS) be revised to include all revenues the applicant would receive from a subscriber over the course of 12 months, expressed as a monthly average.

D. TURN

TURN expresses its concern with ensuring a comparable quality of service for all CASF approved projects, and suggests revisions to bidding process and selection criteria.

Regarding the definition of "unserved", TURN believes areas with no fixed broadband (but may or may not have a mobile data provider) should be considered unserved, due to the differences in price, terms and conditions, and compatibility with personal computers between these two provider types.

TURN notes that clarification is needed regarding the "encouragement" to offer "basic voice service" which is identified with the application process. While the statement indicates that some weight will be given to provision of "basic voice", there is no data

submission guideline associated with this “encouragement”. However, there is a component in Appendix A of Attachment B of the January 23, 2008 ACR that includes the basic voice component. TURN strongly and supports reconsideration of this requirement since it would allow local providers who do not provide voice service to apply for CASF funding. In case this requirement is retained, TURN suggests that applicants be required to provide information on the basic voice service they will offer. Further, TURN states that it continues to believe that mingling subsidization of a lower grade of voice service with the provision of broadband is an inappropriate approach.

With respect to information required from applicants, as shown in Attachment B of the January 23, 2008 ACR, TURN provides the following recommendations:

- Description of proposed broadband project:
 - More specific information on upload and download speeds should be required. Detailed statistics accounting for differences in distance should be presented and establishment of a consistent weighting scheme in order to compare proposals by speed.
 - Commission should consider the busy-hour engineering plan of each proposal, in order to better evaluate whether the applicant’s stated speed objectives can be met.
 - Commission should identify how speed will be measured after project completion, which should be based on the maximum expected busy-hour throughput between customer premises and the first point of interconnection with outside networks. TURN opposes the use of the “up-to” speeds measurement proposed during the workshop, since these measurements are intended for marketing purposes, and cannot be relied upon for evaluating the quality of broadband service. TURN further recommends that bidders whose network deployment results in lower speeds than originally proposed should be penalized through a reduction in their funding.
- Geographic locations
 - Supports the requirement to submit a shapefile showing the boundaries of the area to be served, along with the CBGs nominated for CASF support
- Unserved vs. underserved locations
 - Reiterates its assertion that the “unserved/underserved” definitions should be refined to focus on the provision of reasonably comparable services, and account for differences in service offerings
- Estimated number of potential broadband subscribers
 - Applicants should base estimates on the number of households in the proposed service area; applicants should also provide information on their marketing plans, projected subscription rates, and plans to address adoption by low-income customers
- Schedule for deployment
 - All steps and prerequisite actions should also be identified in the deployment schedule

- Proposed recurring retail price
 - Applicants should specifically match a price to a service's upload and download speed.
 - Applicants should be required to also disclose non-recurring charges, term commitments, limitations, and pricing directed at low-income customers.
- Pricing commitment period
 - A longer pricing commitment should be required, given that most costs are fixed and the subsidy is intended to fund these costs, and because there are no restrictions for providers to sell additional services at unrestricted prices; additionally, prices should not be allowed to increase by more than the general rate of inflation for three years.
 - A clear connection between the price description in Item 9 and the pricing commitment; the Commission should clarify how this commitment will be implemented; recommended that implementation be based on a per customer basis.

Regarding submission and timelines, TURN proposes modifying the process such that staggered bidding is eliminated, given the fact that this is a “sealed bid” process. TURN outlines its suggestion for how this process would operate:

- Step 1 (June 2, 2008): Bidding areas nominated (by applicants)
- Step 2 (July 2, 2008): Challenges to nominated areas due
- Step 3 (August 1, 2008): Round 1 bids due (for areas not challenged in Step 2)
- Step 4 (September 1, 2008): Resolution of challenges – areas that have been confirmed as unserved/underserved are publicized, along with any additional areas the Commission identifies as eligible for support
- Step 5 (October 1, 2008): Round 1 grant awards (for bids associated with Step 3)
- Step 6 (October 1, 2008): Round 2 bids due (for areas associated with Step 4)
- Step 7 (December 1, 2008): Round 2 grant awards

The above approach, according to TURN, would allow uncontested areas to proceed while the issue of the status of service in challenged areas is resolved. TURN recommends that the Commission augment the self-nomination process through Commission-initiated nominations of areas for bidding. TURN also recommends establishing a set of protocols for opening and evaluating bids, and submitted an example from the London Regional Transport authority as a useful model.

TURN recommends modifications to the scoring criteria as follows:

- Funds requested per customer: 35 points
 - Restate this criteria as “funds requested per household in serving area,”
 - Any proposal that does not address subscription by low-income households would automatically lose 10 points from the possible 35 for this criterion

- Speed: 20 points
 - Reiterates its support for further refinement of proposed speeds quantification.
 - Notes that “current speed” is not defined, and expressed concern about how non-incumbents would get the needed data to determine this factor
 - Points out a mathematical inconsistency between the formula as presented in Attachment B of the January 23, 2008 ACR and the Excel file distributed to parties after the workshop. TURN proposes a different formula which is based on the 3 MBPS download and 1 MBPS upload speed standard established by the Commission:

$$[b_i / \text{Max}(b)] * 20$$

Where:

$B_i = (\text{Applicant's proposed download speed} / 3 \text{ Mbps}) + (\text{Applicant's proposed upload speed} / 1 \text{ Mbps})$

$\text{Max}(b) = \text{the highest } b_i$

- Service Area: revise this criterion so that applicants are not awarded for large but unpopulated areas. TURN specifically suggests the formula:

$$N_i / \text{Max}(N) * 10$$

Where:

$N_i = \text{number of households in the bidder's service area}$

$\text{Max}(N) = \text{maximum number of households among the relevant bids}$

- Timeliness of Completion of Project: 0 points
 - Eliminate this criterion since the Commission can only determine ex-post facto whether bidders will have met such a commitment
- Pricing: 25 points
 - Greater weight be allocated due to its importance
 - Proposed formula does not account for high absolute prices of higher-speed offerings, and suggests that scores be determined as the summation of the following two formulas (p denotes price):
 - Basic Broadband Price Component:

$$[\text{Min}(\text{Monthly Basic } p) / (\text{Monthly Basic } p_i)] * 20$$
 - Premium Broadband Price Component:

$$[\text{Min}(\text{Monthly Premium } p) / (\text{Monthly Premium } p_i)] * 5$$
- Guaranteed Pricing Period: 10 possible points for applicants committing to price increases at a rate no more than the CPI-U inflation rate for a period of three years; 5 points for applicants committing to the same for a period of two years

E. DRA

DRA has the following comments/recommendations:

- Scoring criteria should be explicit, clear, and consistently applied to all bids.
 - Points should be given to areas that are less likely to be served.

- A separate variable or “Other Points” should be devoted to lower income areas (median household income by CBG derived from Census data should be used as it would reduce the effect of outliers) and population density, with preference given to lower income areas and less densely populated areas. DRA recommends devoting at least 5 points to lower income areas and at least 5 points to less densely populated areas.
- Clear points are necessary for determination of what is preferable in terms of pricing and bundles, delineating which bundle is considered “more optimal” and whether equipment is included in the pricing structure.
- “Scoring Sheets” that describe what the number should be for calculating each weight are necessary so that each applicant is rated on standardized criteria.
- There is a need for parties to review the scoring template before it is finalized by the Commission.
- Too many points are currently awarded to “Funds requested per Potential Customer”, and not enough points are allocated to pricing and the length of the guaranteed pricing period.
- Speed requirements should be more specific.
 - The Commission must develop a way to track and monitor speeds to ensure that the applicant is meeting the speed requirement. If this requirement is not met, the applicant should not receive all of the CASF funds that was granted.
 - Speed measurements of “up to” are not an adequate measure.
 - The actual level of speed should be clarified. It was a surprise to many parties at the workshop that the 3/1 speed definitions were not actually *required*, but rather considered *optimal*.
 - An evaluation based on subscription fee per month, and what services you are receiving for that fee, is more useful than price per MBPS. The Commission must clarify whether and which bundles may be considered more optimal.
 - The speed formula should be examined more carefully.
- There should be a longer pricing commitment period than one year.
 - The voluntary pricing commitment of 12 months is too short.
 - If the pricing commitment remains at 1 year, DRA supports the Commission’s stated intention of allowing an individual subscriber to apply for service anytime with that year and receive the pricing commitment for a full year from when he or she signed up for service.
 - If the CASF recipient upgrades their service before the pricing commitment time period has ended, customers should have the option of remaining on the previous service at the committed price, or upgrading their service at a new price.
- Proprietary designation of the geographic area of the initial application
 - DRA agrees that an applicant’s name can remain confidential.

- The portion of the website devoted to CASF applications should include a list of the CBG numbers included in the application.
 - Additionally, the website must include a map derived from the shapefile data the Commission receives.
 - It must be clear that the Commission will receive the confidential underlying data included in a shapefile, along with the public information, in the application packet.
- The Commission should conduct any necessary audit, verification, monitoring and discovery during project implementation/construction to ensure that CASF funds are spent in accordance with Commission approval. Ensuring that the CASF is working is comprised of two elements:
 - Compliance: The Commission should ensure that money is used properly.
 - Efficacy: The Commission should monitor to see if CASF is useful in promoting broadband (whether it actually meets intended goals) and determine whether the CASF should be extended.
- Other issues.
 - The applications should include any service restrictions, such as bandwidth availability, any time commitments customers must accept, non-recurring charges, tying availability of broadband services to the purchase of other services, etc.
 - The Commission should accept an initial round of bids for unserved areas, followed by a subsequent round for areas which contain a mix of unserved and underserved areas.
 - There should be a cut-off date for submission of bids.
 - The Commission should clarify the timeline for funding collection, funding disbursement, and how long the surcharge will remain in effect.

F. Comcast

The following are the comments and recommendations of Comcast:

- Scoring for speed and pricing should be increased
 - Pricing weight should be increased to 10, Timeliness should be reduced to 5, Speed should be increased to 25, and Funds per Customer should be reduced to 40.
- Pricing information must include both service and equipment pricing
 - Applicant should provide full service and equipment pricing on an annualized basis.
- Measurement of speed must be standardized for fairness
 - Standardized proxy servers not available to the public, but only to CASF applicants, with testing and audits administered by the CPUC, need to be established to determine test speeds.

- Voice service should not be a requirement
 - If voice service is required, applicants should only have to offer battery backup and E911 service. Because the only territory open to competition is that of the four large ILECS, there are no facilities-based wireline voice service competitors in rural areas. Thus, only over the top VOIP providers with non geographic numbers can provide service in rural areas. Voice service should not be required until the Commission allows competition in small LEC territory.
- Infrastructure descriptions need not be overly specific
 - The description of current broadband infrastructure should not require the inclusion of trade secrets or proprietary information. The current shape file requirement is sufficient.
- Projects should be evaluated on households passed
 - An objective count of households in a given CBG should be used to measure potential customers.
- Performance bond terms should be set prior to receipt of applications
 - Standardized commercial performance bond terms should be adopted so applicants are not surprised by terms after the fact.
- The contents of the project completion report must be determined
 - Since full payment is conditioned on the completion report, the Commission must establish the elements of this reporting requirement before the application process is commenced.

ATTACHMENT A - APPENDICES

Appendix A: Assigned Commissioner's Ruling dated January 23, 2008

The Assigned Commissioner's Ruling dated January 23, 2008 Scheduling Workshop and Providing Template for Review (R.06-06-028) is available at:

<http://www.cpuc.ca.gov/EFILE/RULINGS/77975.htm>

Appendix B: List of CASF Workshop Attendees

MaryLiz DeJong
AT&T California
525 Market St, Ste 1928
San Francisco, CA 94105
maryliz.dejong@att.com

David P. Discher
AT&T Services Inc
525 Market St., Rm 2027
San Francisco, CA 94105
david.discher@att.com

Vickie Gorman-Page
AT&T
175 E. Houston, 10th flr.
San Antonio, TX 78205
vg1710@att.com

Michele Goodwin Parker
AT&T California
2600 Camino Ramon, Rm 2W700G
San Ramon, CA 94583
mp1321@ATT.com

Nancy Lowrance
AT&T
175 E. Houston, 10th flr
San Antonio, TX 78205
nl6842@att.com

Jeff Stewart
AT&T
5565 Glenridge Connector
Atlanta, CA 30342
jeff.stewart@att.com

Matt Terrell
AT&T
175 E. Houston 5-K-04
San Antonio, TX 78205
wt7595@att.com

Charlie Born
Frontier Communications
P.O. Box 340
Elk Grove, CA 95759
cborn@czn.com

Joe Chicoine
Frontier Communications
P.O. Box 340
Elk Grove, CA 95759
jchicoine@czn.com

Aloa Stevens
Frontier Communications
P.O. Box 708970
Sandy, UT 84070-8970
astevens@czn.com

David Clark
Kerman Telephone
811 South Madera Ave
Kerman, CA 93630
dclark@kermantelephone.com

Greg Gierczak
Surewest
P.O. Box 969
Roseville, CA 95661-0969
g.gierczak@surewest.com

Susan Pedersen Lipper
T-Mobile
1755 Creekside Oaks Dr, Ste 190
Sacramento, CA 95833
susan.lipper@t-mobile.com

Bill Nusbaum
TURN
711 Van Ness Ave, Ste 350
San Francisco, CA 94102
bnusbaum@turn.org

Steve Guenter
Comcast
4450 East Commerce Way
Sacramento, CA 95834

Steve_Guenter@cable.comcast.com

John A. Gutierrez
Comcast
12648 Alcosta Blvd, Ste 200
San Ramon, CA 94583

john_gutierrez@cable.comcast.com

Manoj A. Joseph
Comcast
4450 East Commerce Way, 2nd Flr
Sacramento, CA 95834

Manoj_Joseph@cable.comcast.com

E. Garth Black
Cooper, White & Cooper
201 California St, 17th flr
San Francisco, CA 94111

eblack@cwclaw.com

Kari Lynn Dohn
GCG Rose & Kindel
915 L St, Ste 1210
Sacramento, CA 95814

kdohn@rosekindel.com

Enrique Gallardo
Latino Issues Forum
160 Pine St, Ste 700
San Francisco, CA 94111

enriqueg@lif.org

Ana Montes
Latino Issues Forum
160 Pine St, Ste 700
San Francisco, CA 94111

anamontes@lif.org

Don Eachus
Verizon
112 S. Lakeview Canyon Rd, CA501LS
Thousand Oaks, CA 91362

don.eachus@verizon.com

Scott E. Gibb
Verizon
112 Lakeview Canyon Rd, CA501VB
Thousand Oaks, CA 91362

scott.gibb@verizon.com

Kurt Rasmussen
Verizon
711 Van Ness Ave, Ste 300
San Francisco, CA 94102

kurt.rasmussen@verizon.com

Michele King
CPUC - DRA
505 Van Ness Ave, 4th flr
San Francisco, CA 94102

mki@cpuc.ca.gov

Natalie Wales
CPUC - DRA
505 Van Ness Ave, 4th flr
San Francisco, CA 94102

ndw@cpuc.ca.gov

Candace Hammonds
CPUC - IMSD/DO
505 Van Ness Ave., 2nd flr
San Francisco, CA 94102

cdh@cpuc.ca.gov

Kelley Eitzen
CPUC - IMSD/DP
505 Van Ness Ave, 2nd flr
San Francisco, CA 94102

kde@cpuc.ca.gov

Nathaniel Malcolm
Time Warner Cable
355 Bryant St, Ste 140
San Francisco, CA
pcasciato@sbcglobal.net

Earl Nicholas Selby
418 Florence St
Palo Alto, CA 94301
ens@loens.com

Natalie Billingsley
CPUC - DRA
505 Van Ness Ave, 4th flr
San Francisco, CA 94102
nxb@cpuc.ca.gov

Selena Huang
CPUC - DRA
505 Van Ness Ave, 4th flr
San Francisco, CA 94102
xsh@cpuc.ca.gov

Helen Storrs
CPUC - IMSD/Fiscal
505 Van Ness Ave, 2nd flr
San Francisco, CA 94102
hhs@cpuc.ca.gov

Harry Keikoan
CPUC - IMSD/Fiscal
505 Van Ness Ave, 2nd flr
San Francisco, CA 94102
hsk@cpuc.ca.gov

Margaret Tobias
Tobias Law Office
460 Pennsylvania
San Francisco, CA 94107
marg@tobiaslo.com

Alik Lee
CPUC - DRA
505 Van Ness Ave, 4th flr
San Francisco, CA 94102
ayo@cpuc.ca.gov

Appendix C: PowerPoint Presentation

California Public Utilities Commission

California Advanced Services Fund (CASF)



February 7, 2008

California Public Utilities Commission

CALIFORNIA PUBLIC UTILITIES COMMISSION
505 VAN NESS AVE., HEARING ROOM A
SAN FRANCISCO, CA 94102

California Advanced Services Fund (CASF) Workshop

Phone Bridge (for listening only): 1-877-418-5002
Participant Passcode: 487101

February 7, 2008
9:30 am - 4:00 pm

Objective: Determination of Scoring Criteria for CASF Applications

Conducted by: Communications Division

AGENDA

<u>ITEMS</u>	<u>APPLICATION INFORMATION REF.</u>	<u>TIME</u>
• Opening Remarks – Comm r. Rachelle Chong		9:30 - 9:35
• Overview of the CASF <ul style="list-style-type: none">◦ Required Information from Applicants◦ Submission and Timelines◦ Proposal Checklist◦ Affidavit	pp. 3-4 pp. 4-5 pp. 11-12 pp. 13-14	9:35 - 11:45
(Lunch)		11:45 - 1:00
• Scoring Criteria <ul style="list-style-type: none">◦ Funds Requested per Potential Customer◦ Speed◦ Service Area◦ Timeliness of Completion of Project◦ Pricing◦ Guaranteed Pricing Period	pp. 5-9	1:00 - 3:00
• Selection	p. 9	3:00 - 3:15
• Payment	pp. 9-10	3:15 - 3:30
• Grant Execution and Performance	p. 10	3:30 - 3:45
• Other issues		3:45 - 4:00

Appendix C

California Public Utilities Commission

California Advanced Services Fund (CASF)

- Established by the Commission in D.07-12-054 (December 20, 2007)
- Provides matching funds up to 40% of the total project cost; recipient provides 60%
- Priority for funding will be for projects that will provide broadband services to areas currently without broadband access; if funds are still available, funding will be provided to build out facilities in underserved areas
- Applications will be considered beginning June 2, 2008
- \$100 million is available for qualifying projects over a two year period
- Applicants for CASF funds will be evaluated, ranked, and selected for funding on how well they meet prescribed criteria

3

California Public Utilities Commission

- Definitions
 - o Unserved Area: an area that is not served by any form of facilities-based broadband, such that Internet connectivity is available only through dial-up service
 - o Underserved area: an area in which no facilities-based provider offers broadband service at speeds of at least 3 MBPS download and 1 MBPS upload
- Who may Apply
 - o Limited to entities with a Certificate of Public Convenience and Necessity (CPCN) that qualify as a “telephone corporation” as defined under Public Utilities Code Section 234 or wireless carriers who are registered with the Commission
 - o An entity with a pending CPCN application
 - o To a consortium where the lead financial agent for the consortium has a CPCN or a wireless carrier registered with the CPUC
 - Applicants are encouraged to offer basic voice service to customers within the service area of the broadband deployment; voice service offering must, at a minimum, meet standards for E-911 service and battery back-up supply

4

Appendix C

California Public Utilities Commission

- Required Information from Applicants for each proposed broadband project (deployment covering a single contiguous group of Census Block Groups (CBGs))
 1. Description of the provider's current broadband infrastructure within 100 miles of the proposed project, if applicable; and shapefile (.shp) of current service area;
 2. Description of proposed broadband project plan for which CASF funding is being requested, including project size, download and upload speed capabilities of proposed facilities.
 3. Geographic locations by CBG(s) where broadband facilities will be deployed. A shapefile (.shp) showing boundaries of the specific area to be served by the project and list of CBG(s) and ZIP Codes that intersect the proposed project area should be submitted;
 4. An explanation of the basis for asserting (i.e. reference to the California Broadband Task Force Report or other published reports) that, to the best of the applicant's knowledge, the area is unserved or underserved;

5

California Public Utilities Commission

- Required Information from Applicants (cont.)
 5. Estimated number of potential broadband subscribers;
 6. Delineated schedule for deployment (completion within 24 months from approval)
 7. Proposed budget including breakdown of cost elements, source of funding, amount and availability of funds
 8. Performance bond
 9. Proposed recurring retail price per MBPS; indicate initial service connection fee, if any
 10. Period of commitment for the initial price for broadband services within the service area of the project (minimum price guarantee is one year)
 11. Financial qualifications to meet commitments

6

Appendix C

California Public Utilities Commission

- Required Information from Applicants (cont.)
 - 12. Proof of applicant's CPCN or U #. In the absence of a CPCN, proof that CPCN pending approval or CPCN application number
 - 13. Name and contact information of applicant's key contact person, and company officers and directors; and
 - 14. Affidavit that all information submitted is true and correct

7

California Public Utilities Commission

- Submission and Timelines
 - Completed applications are to be submitted electronically with a copy mailed to the Director of the Communications Division

Date	Action due
June 2, 2008	Initial deadline to submit funding requests
7/15/2008 (or 30 business days after submission)	Responses to initial funding requests made
8/5/2008 (or 45 business days after submission)	Responses to funding requests that offer to meet the proposed broadband commitment under different terms

8

Appendix C

California Public Utilities Commission

- Proposal Checklist

- To be submitted with the application; mirrors the information required from applicants

- Affidavit

- To be submitted , under penalty of perjury, and under Rule 1.1 of the California Public Utilities Commission's Rules of Practice and Procedure, that all statements and representations made in the Application are true and correct

9

California Public Utilities Commission

- Scoring Criteria

<u>Variables</u>	<u>Weight</u>
i) Funds Requested per Potential Customer	50
ii) Speed	15
iii) Service Area	15
iv) Timeliness of Completion of Project	10
v) Pricing	5
vi) Guaranteed Pricing Period	5
Total	100

- Applicants will be scored based on the six variables with each variable scored relative to the best offer (highest or lowest amount, where applicable)

10

Appendix C

California Public Utilities Commission

- Scoring Criteria

- i) *Funds Requested per Potential Customer*

Formula: $\text{Min}(a) / a_i * 50$

Where “a” is the funding amount (\$) requested from the CASF divided by the number (#) of potential customers for the specific project being scored and $\text{Min}(a)$ is the lowest funding amount (\$) requested from the CASF divided by the number (#) of potential customers among all the eligible projects submitted.

$$a = \text{Funds Requested} / \text{Potential Customers}$$

11

California Public Utilities Commission

- Scoring Criteria

- ii. *Speed*

Formula: $b_i / \text{Max}(b) * 15$

Where “b” is the sum of the square roots of the differences in upload and download speeds (MB) between pre- and post-project for the specific project being scored and $\text{Max}(b)$ is the highest sum of the square roots of the differences in upload and download speeds among all the eligible projects submitted.

$$b = \sqrt{\sum_{p=1}^n \frac{NSU_p - OSU_p}{n}} + \sqrt{\sum_{p=1}^n \frac{NSD_p - OSD_p}{n}}$$

12

Appendix C

California Public Utilities Commission

where:

NSU = New Speed Upload

Average upload speed (MB) per customer post-proposal in the proposed areas.

OSU = Old Speed Upload

Average upload speed (MB) per customer pre-proposal in the proposed areas.

NSD = New Speed Download

Average download speed (MB) per customer post-proposal in the proposed areas.

OSD = Old Speed Download

Average download speed (MB) per customer pre-proposal in the proposed areas.

13

California Public Utilities Commission

- Scoring Criteria

iii. Service Area

Formula: $c_i / \text{Max}(c) * 15$

Where “c” is the amount of area (Sq. Mi.) for the specific project being scored and Max(c) is the highest amount of area among all the eligible projects submitted.

iv. Timeliness of Completion of Project

Formula: $d_i / \text{Max}(d) * 10$

Where “d” is the number of months (Mo.) ahead of schedule for the specific project being scored and Max(d) is the highest number of months ahead of schedule among all the eligible projects submitted.

$d = 24 - TT$

where:

TT = Total Time (Mo.) to complete

The total amount of time the proposal will take to complete. Total Time may not exceed 24-months.

14

Appendix C

California Public Utilities Commission

• Scoring Criteria

v. Pricing

$$\text{Formula: } \text{Min}(e) / e_i * 5$$

Where “e” is the price (\$/MB) of service for the specific project being scored and Min(e) is the lowest price of service among all the eligible projects submitted.

vi. Guaranteed Pricing Period

$$\text{Formula: } f_i / \text{Max}(f) * 5$$

Where “f” is the length (Mo.) of price guarantee for the specific project being scored and Max(f) is the highest length (Mo.) of price guarantee among all the eligible projects submitted.

$$f = \text{Months Guaranteed} - 12$$

15

California Public Utilities Commission

• Scoring Criteria

Example:

CASF Scoring - Scenario Analysis for 7 Hypothetical Proposed Projects – For Illustrative Purposes Only								
Raw Values								
	Applicant A	Applicant B	Applicant C	Applicant D	Applicant E	Applicant F	Applicant G	
a No. of Potential Customers	200	25	30	45	10	100	75	
b Funds requested (\$)	\$100,000	\$50,000	\$50,000	\$60,000	\$20,000	\$50,000	\$45,000	
c Funds requested per potential customer (\$)	\$500	\$2,000	\$1,667	\$1,333	\$2,000	\$500	\$600	
d Speed (MBPS)								
Current avg DI	4.500	8.200	3.500	1.000	3.100	3.100	5.300	
Proposed avg DI	5.484	12.484	10	1.032	4.8	5.226	12.226	
SQRT of difference, DI	0.142	0.296	0.364	0.026	0.186	0.208	0.376	
Current avg UI	0.500	1.000	0.400	0.500	0.500	0.500	3.000	
Proposed avg UI	0.984	4.284	6.500	1.000	1.700	2.126	6.906	
SQRT of difference, UI	0.099	0.259	0.353	0.101	0.156	0.182	0.283	
total	0.241	0.555	0.717	0.127	0.343	0.390	0.659	
e Service Area (square miles)	100	75	50	500	175	750	750	
f Timeliness of Completion of Project (mo.)	24	23	18	19	20	20	19	
g Pricing (\$ / MBPS)	\$5	\$10	\$5	\$6	\$7	\$10	\$5	
h Guaranteed Pricing Period (mo.)	60	24	12	36	48	24	60	
i	48	12	0	24	36	12	48	
Weighted Scores								
	Maximum Weight	Applicant A	Applicant B	Applicant C	Applicant D	Applicant E	Applicant F	Applicant G
a Funds requested Potential customer	50	50	13	15	19	13	50	42
b Speed	15	highest	12	15	3	7	8	14
c Service Area	15	2	2	highest	10	4	15	15
d Timeliness of Completion of Project	10	0	2	10	8	7	highest	highest
e Pricing	5	5	3	highest	4	4	3	5
f Guaranteed Pricing Period	5	highest	1	0	3	4	1	highest
g	highest	highest	highest	highest	highest	highest	highest	highest
Total Scores		67.0	31.0	46.0	46.4	37.2	63.6	68.6
Winning bid >>>								highest \$45,000
Applicant A Applicant B Applicant C Applicant D Applicant E Applicant F Applicant G								

16

Appendix C

California Public Utilities Commission

- Selection
 - Projects that receive the highest number of points based on the above criteria will be granted CASF funding.
 - Awards will be authorized by the Commission in a separate Commission resolution.

17

California Public Utilities Commission

- Payment
 - Based on progress billing with the first 25% to be made upon submission to the Commission staff of a progress report showing that 25% of the project has been completed
 - Subsequent payments will be made on 25% increments showing completion at 50%, 75% and 100%
 - 10% retention will be withheld from each payment, to be paid upon satisfactory completion of the entire project
 - A project completion report is required before full payment
 - Progress reports have to be certified under penalty of perjury
 - Based on receipt and approval of invoices and other supporting documents
 - Made in accordance with and within the time specified in the CA Government Code commencing with Section 927
 - Commission has the right to conduct audit, verification, and discovery during project implementation/construction
 - Recipient's invoices will be subject to financial audit anytime within 3 years of completion of the work

18

Appendix C

California Public Utilities Commission

- Grant Execution and Performance
 - Grant is subject to the approval of the Department of General Services
 - Project start date shall be determined by the Commission and the CASF recipient after all approvals have been obtained
 - Should the recipient fail to commence work at the agreed upon time, the Commission, upon five days written notice to the recipient, reserves the right to terminate the grant
 - Failure on the part of the recipient to complete the project, in accordance with the terms of approval of the grant, will result in the recipient's partial or total reimbursement of all CASF funds received
 - All performance under the agreement shall be completed on or before the termination date of the agreement

19

Appendix D: Hypothetical Illustration of Scoring Criteria

CASF Scoring - Scenario Analysis for 7 Hypothetical Proposed Projects -- For Illustrative Purposes Only

Raw Values

		Applicant A	Applicant B	Applicant C	Applicant D	Applicant E	Applicant F	Applicant G
No. of Potential Customers		200	25	30	45	10	100	75
Funds requested (\$)		\$100,000	\$50,000	\$50,000	\$60,000	\$20,000	\$50,000	\$45,000
a Funds requested per potential customer (\$)		\$500	\$2,000	\$1,667	\$1,333	\$2,000	\$500	\$600
b Speed (MBPS)								
	Current avg DI	4.500	8.200	3.500	1.000	3.100	3.100	5.300
	Proposed avg DI	5.484	12.484	10	1.032	4.8	5.226	12.226
	SQRT of difference_DI	0.142	0.296	0.364	0.026	0.186	0.208	0.376
	Current avg UI	0.500	1.000	0.400	0.500	0.500	0.500	3.000
	Proposed avg UI	0.984	4.284	6.500	1.000	1.700	2.126	6.926
	SQRT of difference_UI	0.099	0.259	0.353	0.101	0.156	0.182	0.283
	total	0.241	0.555	0.717	0.127	0.343	0.390	0.659
c Service Area (square miles)		100	75	50	500	175	750	750
d Timeliness of Completion of Project (mo.)		24	23	18	19	20	20	19
		0	1	6	5	4	4	5
e Pricing (\$ / MBPS)		\$5	\$10	\$5	\$6	\$7	\$10	\$5
f Guaranteed Pricing Period (mo.)		60	24	12	36	48	24	60
		48	12	0	24	36	12	48

Weighted Scores

	Maximum Weight	Applicant A	Applicant B	Applicant C	Applicant D	Applicant E	Applicant F	Applicant G
a $\frac{\text{Funds requested}}{\text{Potential customer}}$	50	50	13	15	19	13	50	42
		highest					highest	
b Speed	15	5	12	15	3	7	8	14
				highest				
c Service Area	15	2	2	1	10	4	15	15
							highest	highest
d Timeliness of Completion of Project	10	0	2	10	8	7	7	8
				highest				
e Pricing	5	5	3	5	4	4	3	5
		highest		highest				highest
f Guaranteed Pricing Period	5	5	1	0	3	4	1	5
		highest						highest
Total Scores		67.0	31.0	46.0	46.4	37.2	83.6	88.8
Winning bid >>>								highest \$45,000

Applicant A	Applicant B	Applicant C	Applicant D	Applicant E	Applicant F	Applicant G
-------------	-------------	-------------	-------------	-------------	-------------	-------------